

MONTANA BOARD OF HOUSING

Farmers State Bank  
11000 US highway 93 S  
Lolo MT 59847  
August 18, 2006

ROLL CALL OF BOARD

MEMBERS: Bob Thomas, Chairman (Present)  
Judy Glendenning, Vice Chairman (Present)  
J.P. Crowley, Secretary (Present)  
Susan Moyer (Present)  
Audrey Black Eagle (Absent)  
Jeff Rupp (Present)  
Betsy Scanlin (Present)

STAFF: Bruce Brensdal, Executive Director  
Anastasia Burton, Housing Promotion Manager  
Mat Rude, Multifamily Program Manager  
Gerald Watne, Multifamily Program Office  
Nancy Leifer, Homeownership Program Manager  
Charles Brown, Homeownership Program Officer  
Chuck Nemec, Accounting and Finance Manager  
Vicki Bauer, Assistant Accounting and Finance Manager  
Diana Hall, Administrative Assistant

COUNSEL: Pat Melby, Luxan and Murfitt  
John Wagner, Kutak Rock

UNDERWRITERS: Peter Nolden, UBS  
Mina Choo, UBS  
Gordon Hoven, Piper jaffray

OTHERS: Nick Fleuehr, Citigroup – New York  
Christine Van Ronk, Rural Development  
Beth Seville, G.K. Baum  
Patrick Klier, Summit Management Group  
Judy Smith, HomeWord  
Leigh M. Griffing, HomeWord  
Linda Rayfield, Missoula Federal Credit Union  
Peter Hance, Missoula Housing Authority  
Danny Day, Montana Business Capital  
Tom Swenson, Montana Business Capital  
Tom Butorac, First Interstate Bank  
Jim Morton, HRC  
Jan Schlegel, Montana Mortgage Company  
Melissa Gordon, Missoula Office of Planning & Grants

Nancy Harke, Missoula Office of Planning & Grants  
Debbie Wicox, Community Bank Missoula  
Teresa Manlove, Capital Family Mortgage  
Kevin Henry, Capital Family Mortgage  
Robert Doore, Missoula Organization of Realtors  
Becki Linderman, Bitterroot RC&D  
Nate Richmond, Summit Management Group  
Mat St. Clair, Summit Management Group  
Carol Holman, Farmers State Bank - Victor  
Tom Glendenning

### **CALL MEETING TO ORDER**

Chairman Bob Thomas called the meeting to order at 8:30 a.m.

### **INTRODUCTIONS AND PUBLIC COMMENTS**

The Chairman asked the Board, staff, and guests to introduce themselves.

Carol Holman said the land to value is an issue in the Bitterroot. Most of the properties have an acre or two and the land values are more than 30%. It limits the loans that could go Montana Board of Housing (MBOH). She would like to invest in Montana instead of out-of-state secondary markets.

Jim Morton said he appreciates the intent of the land to value and issues of sprawl and moving people to communities for community water and sewer services. It does put a burden on rural areas because of the water and sewer and discourages development. He said staff is good to work with and are responsive, but he would like feedback for developers.

Peter Hance of Missoula Housing Authority informed the Board that there is a major change in affordable housing policy in the United States for Housing Authorities to help people who earn under 30% of median income. The new rules and budget guidelines by HUD may decrease operating budget by 50%. Reaction has been extreme and major cities have sold most of their units. There is a move to consolidate Housing Authorities. It removes local control and impact. There will be additional pressure coming on the State to support people under 30% of median income.

Jim Morton thanked the Board for support for Native American project. They purchased 3 units and are working with families on credit scores and hope to purchase two more.

Jan Schegal enjoys working with staff and programs. She would like more understanding of the deep equity program.

Judy Smith said the Southern Lights project will be breaking ground and wanted to thank the Board for the Tax Credit project.

### **APPROVAL OF MINUTES**

Judy Glendenning moved to approve the July 12, 2006 minutes. J. P. Crowley seconded the motion. The Chairman asked for public comments. The motion passed unanimously.

### **ACCOUNTING PROGRAM**

Chuck Nemec presented the Investment Policy and also the required quarterly financial reports.

## **MULTIFAMILY PROGRAM**

Mat Rude notified the Board that the Multifamily Team was nominated and received the Department of Commerce award for Excellence for work with the Qualified Allocation Plan. They also received the Governor's Award for Excellence for work with the yearly training for compliance.

Mat said the Vintage Project sent in an application for a bond 4% tax credit deal in Missoula. It is a senior project with 135 units. It would target half at 50% AMI and half at 60% AMI. The ranking of the project fell below the threshold because it is too big for the need in the area according to market studies and does not have community support. Guests mentioned there is a concern for local economic stimulus too. Mat responded that part of the ranking is based on using local people on the development team.

JP and the Board commended the Multifamily Team on their awards. Bruce said Vicki Bauer also was nominated for the Governor's Award for Excellence.

## **HOMEOWNERSHIP PROGRAM**

Nancy Leifer announced that Kellie Lynch received an excellence award for the housing division.

The Fannie Mae MBS Program has been an experimental program that has been well received and helped 24 families. The average income was \$28,000. Nancy requested another \$2 million from the debt reserve account of 2005 A to fund an extension of the program. It is in conjunction with the My Montana Mortgage Program with Fannie Mae which targets Section 8 clients, Native Americans, ADA persons with disabilities, and essential workers. J. P. Crowley moved to approve \$2 million for the Fannie Mae MBS Program. Judy Glendenning seconded the motion. The Chairman asked for public comments. The motion passed unanimously.

Nancy told a real story about a woman in Great Falls, who had homebuyer education and went from a shelter to being a homeowner through the self-help program. The story shows the impact that MBOH has on people's lives.

Setaside Program updates included the first loan closing for the Gap Program in Red Lodge. Also, the Manhattan Essential Workers and the Ravalli County Teachers Program still do not have a decision from the Federal Reserve on whether the bond of second mortgages is a qualified investment. Charlie Brown reported that there have been 64 homes moved from Malstrom Airbase to the Chippewa Cree Rocky Boy Reservation. They are still working on getting all the financing in order. The HUD 184 program is part of the financing and is available statewide at 5.5% and MBOH is a national example of an agency stepping up to help implement financing for Native Americans. MBOH hopes to do assumptions rather than having a second closing and extra fees on these homes. More homes have been approved to be moved from Malstrom. The MCC Program has 2 loans committed and is not going very well.

Nancy presented a statement on the connection between affordable housing and the need for high density development. The statement provides information for planning boards and staff and local elected officials. Betsy said that the purpose is to publicly generate support for wise land use. She wants to encourage proper infrastructure that can make better use of land, like smaller lots.

The REO report has 3 more listings and reveals that we get more properties in foreclosure as interest rates go up.

Nancy said there have been a couple of new lender applications. There is a trend nationwide for new small independent banks. The Board has regulations that govern lender approval and one of the requirements is to have a history, making it difficult for "de novo" banks to be approved.

Jan Schlegel of Montana Mortgage Company requested a waiver to the 35% rule due to an error in processing. The property has a private septic. She explained the process they went through to be diligent in underwriting, but were in the middle of the process when MBOH changed the ruling and that requirement was missed. Other options are not available to the borrower. Susan Moyer moved to approve the waiver. Judy Glendenning seconded the motion. The Chairman asked for public comments. Guests and Board members discussed the issue of many properties that have only city water or only sewer available and the cost and the geological factor in some areas. The motion passed unanimously.

The Deep Equity loans accounted for 2.5% of the MBOH loans since January. Experience reveals that most borrowers are either in targeted areas with money from previous homeownership or they have low incomes and have received a one time gift. Therefore, Nancy proposed changing the guidelines by taking out the requirement that says: "Loans should be ineligible for loan guarantees from alternate sources, such as RD or VA." Judy Glendenning moved to accept the changes to the Deep Equity Guidelines. J.P. Crowley seconded the motion. The Chairman asked for public comments. The motion passed unanimously.

Nancy said \$15 million has already been committed in the new bond issue. Current conventional local rates are at 6.25% and national rates are 5.99%. Peter Nolden of UBS Securities gave an overview on the bond sale. He said the rates improved dramatically on the day of the sale. MBOH's current rate is 6% and that could generate some funds at 0% if the market does not necessitate lowering the rate.

Jim Morton commented on the 35% rule. He said that communities like Florence do not have sewer and water. They try to move people into those communities to do the right thing and practice infill. However, in practicality, the land prices are so high in unincorporated towns that the rule is a problem.

There are \$30,604,844 committed in Setaside loans. Carol Holman of Farmers State Bank thanked MBOH for the programs available for the rural community. She said 4 loans have closed in the Teacher's Program and they are working on the 5<sup>th</sup>. Carol requested a 1 year extension on the Teacher's Program. Susan Moyer moved to extend the Teacher's Program for 1 year. Judy Glendenning seconded the motion. The Chairman asked for public comments. The motion passed unanimously. Jerry Petasek of the North Missoula Community Development Corporation gave an update on the Clark Fork Commons project. He requested \$1,740,000 in first mortgage setaside funds for the Burns Street Commons Project which will include 16 homes. J. P. Crowley moved to approve the setaside for \$1,740,000. Susan Moyer seconded the motion. The Chairman asked for public comments. The motion passed unanimously. The GAP Program expired in July. Betsy Scanlin moved to extend the GAP Program for 1 year. Susan Moyer seconded the motion. The Chairman asked for public comments. The motion passed unanimously. Nancy said the City of Billings is willing to be folded into the down-payment assistance pool, so no further time extensions are needed for the Billings setaside.

## **PROMOTIONS**

Anastasia Burton presented a memo that was distributed under Bruce's signature to our Housing partners across the state. The memo is an update of one that was sent four years ago and outlines Project Public Relations Guidelines, such as crediting the Montana Board of Housing during news interviews, and using the MBOH logo on project signage, etc as appropriate. She reviewed some news clips in the packets, which was some good coverage on the new recapture tax reimbursement program.

Anastasia has an on-line outreach campaign in the works, which would involve advertising MBOH products and services via links on some of Montana's daily newspapers' websites. More details to follow.

She is also working on updating the suite of MBOH program brochures, mainly those which need changes re income limits. The Reverse Annuity Mortgage Program (RAM) brochure, booklet, and fact sheet are now complete and board members received copies of those materials. Anastasia reminded everyone that our website has a "list serve" where anyone can sign up for free to receive MBOH news.

## **EXECUTIVE DIRECTOR**

Bruce Brensdal said an unofficial working group has been meeting for a legislative proposal regarding the Housing Revolving Loan Account. The money has been used up so they proposed making changes to the statute and were looking for funding sources. The proposal was disapproved by the Governor's budget process, therefore, Bruce and staff cannot take the lead on the initiative. Judy Smith of the working group gave an overview of the proposal, discussed options, and asked the Board to show support. Jeff will head a committee for the Board and Betsy and J. P. will help also and bring feedback to the next meeting.

Nancy Leifer said she had a proposal to help fill the gap for housing costs in the Kalispell area and will bring it to the next meeting.

The next meeting is scheduled for September 27 in Great Falls with a tour of some Neighborhood Housing Service projects. Meetings are tentatively planned for October 20<sup>th</sup> Deer Lodge, and November 17 and December 14 in Helena. The Statewide Housing Conference will be in Polson on September 18-20. Also, there is a 4 workshop series course on Housing Development put on by National Development Council (NDC) in Montana on October 10-13

The meeting adjourned at 10:50 a.m.

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J. P. Crowley, Secretary

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Date